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Good morning Mr. Chairman and members of the Committee.

My name is Rick Murdock. I am the Executive Director of the Michigan Association of Health Plans. The MAHP is an industry voice for 21 health care plans, covering over 2.1 million Michigan residents, and 45 businesses affiliated with the health care industry. MAHP facilitates communication among members, government, and the industry regarding health care issues of common concern.

I want to thank the Chair and the Committee Members for allowing me the opportunity to express our opposition at this time to this legislation.

Because of the high performance standards maintained by the MAHP members, and the important overall role our industry plays in the state of Michigan's economy, it is essential that both policymakers and affected interest groups have sufficient time to analyze this legislation.

We agree and continue to advocate that reforms are necessary to improve Michigan's health care insurance system — as long as the reforms promote fair competition, enhance access, empower consumers, and result in affordable health care options for Michigan citizens. In fact, our association also will be seeking reform legislation for the HMO industry later this year that will address these objectives. We suggest that reforms in the individual market should also focus on problems of the insured and reducing the cost of premiums through the promotion of fair competition.

Make no mistake: The legislation introduced here today calls for sweeping reforms of Michigan's individual health care market. These proposals pose huge and complex issues that merit thorough review and analysis.

Based upon our preliminary analysis of the legislation, our members have identified the following areas of concern which will result in the MAHP's recommendations on this legislation:

- Should the responsibility for the guaranteed access plan (high-risk pool) rest with one carrier awarded by statute rather than awarded by the competitive bidding process or perhaps administered by the State?
- What are the implications of the "high-risk" pool assessment on all carriers, which creates an undetermined contingent liability for carriers who must then subsidize losses experienced by BCBSM in the guaranteed access plan? (e.g., impact for reinsurance and in establishing premiums for coverage).
- Should any single commercial carrier in Michigan be permitted to assess its competitors without adequate and transparent administrative oversight? Further, this legislation does not provide oversight by the Attorney General or public hearing mechanism or rate setting mechanism.
- Should the use of administrative cost measures, such as medical loss ratios, be locked in statute or should it be determined through a different mechanism to assure that it is not too low—such as use of actual experience by carriers in the market?
- Should the legislative package describe standard benefit packages that would be offered by all carriers in order to have a more equitable implementation of subsidies for guaranteed access plans? This will enable the results of individual market to be examined by performance.
- Should we examine more closely the impact on small market by the provisions and definitions proposed by this legislation? Because "individual" is defined as a person who is not eligible for or would pay more than 50% of the premium to participate in a health plan through a group coverage, business may be more inclined to contribute less to premiums in group coverage, therefore individual coverage will be more expensive than group coverage.

This legislation may therefore may lead to more uninsured in Michigan—resulting in higher health care costs.

These concerns represent our first cursory examination of this material and only reflect our review of HB 5282 and HB 5283, and does not address any issues related to HB 5284 and HB 5285. Quite frankly, at this time and without more study, we cannot answer some of the key questions that our association has about this legislation and therefore cannot support this package at this time. Therefore, we expect to add additional comments following our full review and analysis.

Simply put, we need more time before we can assess how and whether this legislation will impact the accessibility, affordability and quality of care in Michigan. Our industry's experience in developing reform legislation required several months of intensive review by various sources of expertise. We would be hopeful, that this legislation would also receive similar time frames for review, particularly to make sure that the citizens of Michigan will benefit by the reforms.

Thank you again for providing me with the opportunity to appear before you today, and I would be happy to answer any questions the Committee Members may have.